



VERMONT EMPLOYMENT GROWTH INCENTIVE

INFORMATION REGARDING VEGI WAGE THRESHOLD

In order for a new job to be considered “qualifying” for the VEGI program and therefore for the new payroll generated by that new job to be counted in the incentive calculation, the job must meet the definition of “qualifying,” which means: full-time (working 35 or more hours per week); permanent (as opposed to seasonal, temporary, or contract); non-owner; and pay *above* the minimum VEGI Wage Threshold set by statute or a higher threshold set by VEPC for a particular applicant.

The minimum VEGI Wage Threshold is 160% of the Vermont Minimum Wage for the year in which a Final VEGI Application is approved. By law, the Vermont Minimum Wage is tied to the Consumer Price Index (CPI). The Vermont Minimum Wage escalates each year by the CPI or 5%, whichever is less, and can never fall below the minimum wage of the previous year.

Historic VEGI Wage Threshold:

<u>Year</u>	<u>Vt Minimum Wage</u>	<u>Threshold Calculation</u>	<u>VEGI Wage Threshold</u>
2007	\$7.53	X 160% = \$12.048 =	\$12.05
2008	\$7.68	X 160% = \$12.288 =	\$12.29
2009	\$8.06	X 160% = \$12.896 =	\$12.90
2010	\$8.06	X 160% = \$12.896 =	\$12.90
2011	\$8.15	X 160% = \$13.040 =	\$13.04

Statutory Citation: 32 VSA §5930b(a)(24): “‘Wage threshold’ means the minimum annualized Vermont gross wages and salaries paid, as determined by the Council, but not less than 60 percent above the minimum wage at the time of application, in order for a new job to be a qualifying job under this program.”

Why is this part of the program? When the VEGI program was enacted, the Vermont General Assembly required a minimal wage threshold for the jobs that would be eligible for the incentive.

Calculation and utilization of annual wage threshold:

1. Annual calculation of minimum Wage Threshold:

- a. The Council will recalculate the minimum Wage Threshold annually following the publication of the Vermont Minimum Wage by the Department of Labor. The minimum Wage Threshold remains in effect for all Final Applications considered during each calendar year.
- b. The Council will use the following formula, based on the announced Vermont Minimum Wage, to determine the annual minimum Wage Threshold for applications considered each calendar year:

(Vermont minimum wage) times (160%), rounded to the nearest cent.

For example: For 2008, the official Vermont minimum wage was \$7.68.
Therefore, $\$7.68 \times 160\% = \$12.288 = \$12.29/\text{hour}$.

2. **Determination of wage threshold for each applicant:** The Council may, in accordance with 32 V.S.A. §5930b(a)(24), determine a wage threshold that is greater than the minimum wage threshold for each applicant. However, the minimum Wage Threshold applies to all applicants.
3. **Impact of wage threshold on an approved application:** The wage threshold determined for the applicant (or the minimum wage threshold if a greater wage threshold is not determined by the Council) that is in effect on the date that a Final Application is authorized is the wage threshold for all years of that application's award period, regardless of when the activity commences.
4. **Determining if a potential job meets the Wage Threshold:** A particular job and the projected payroll for that job meets the Wage Threshold and can therefore be included on the application as a "qualifying job" *only if* the *annualized* Vermont gross wages for that job divided by the number of hours to be worked per year is greater than the minimum Wage Threshold in place for the application year or the Wage Threshold determined by the Council, whichever is greater. If the new employee will not earn a base hourly wage that is greater than the Wage Threshold when hired, depending on when the person was hired during that year, the job may still be eligible as a "qualified" job if the annualized Vermont gross wage to be earned for the year, divided by the number of hours to be worked, is greater than the Wage Threshold.

For example, an employee will be hired in January 2008 at \$12.00/hour for the first 26 weeks of the year and earn \$13.00/hour for the second 26 weeks the year. The total annualized wages for this employee are \$26,000. Divided by 2080 (40 hours per week for 52 weeks) is \$12.50/hour, which is greater than the 2008 Wage Threshold of \$12.29.

If the employee will be hired in 2008 at \$12.00/hour and will stay at that wage for 40 weeks and then will earn \$12.80 per hour for the remaining 12 weeks, that is \$25,344 for the year or \$12.18 an hour, which would not qualify.

If the applicant company's Activity Commencement Date is July 1, 2008, the new employee could not be hired until after July 1, 2008. The actual wages paid for 6 months, divided by the hours to be worked must be greater than the Wage Threshold. For example, the new employee would be hired at \$14.00/hour and work 40 hours per week for the remainder of the year. The expected actual wages earned by this employee for 2008 would be \$14,560 (26X40X \$14.00) and the employee is qualifying.

If the employee will be hired on July 1, 2008 at \$10.00/hour for a 14 week training period and then will earn \$14.00/hour for the remaining 12 weeks of the calendar year, the total wages paid will be \$11,760, which would not qualify (\$11,760/1040 = \$11.84/hour)

For salaried employees, the minimum wage threshold is calculated as follows: (Wage threshold) times (40 hours) times (52 weeks), rounded to the nearest dollar. Therefore, based on the 2008 Vermont minimum wage, the minimum salary would be: \$25,563 (\$12.29 X 2080 hours). If a salaried employee works less than 40 hours per week, the annual salary divided by the number of hours worked per year must be greater than \$12.29 per hour. For example, if a salaried employee earns \$25,555 per year and works 35 hours per week (the minimum hours to be considered full-time and therefore considered a "qualifying employee"), the calculation would be: 35 X 52 = 1820. A salary of \$25,555/1820 = \$14.04/hour. Therefore, this employee would be considered "qualifying."

5. **Determining if the payroll for an actual new job created will qualify:** If a company is authorized by VEPC to earn VEGI incentives, they are required to file a claim each year with the Vermont Department of Taxes to claim the incentive. The claim includes submittal of a spreadsheet detailing employment and payroll, including pay and hours worked. The Department of Taxes will utilize this data to determine if a new job is actually new (incremental) and if the individual job meets the Wage Threshold qualification. They will use the same methodology as outlined above (basically total pay divided by hours worked) to determine eligibility. If the average wage for the new job is *at or below* the Wage Threshold for the year in which the company's Final VEGI Application was approved, the payroll for that job *will not* be eligible for the incentive. If it is *above* the Wage Threshold, the payroll will be eligible.

For further information on the VEGI program, go to:

<http://economicdevelopment.vermont.gov/Programs/VEPC/VermontEmploymentGrowthIncentiveProgram/ApplicationInstructionsandForms/tabid/307/Default.aspx>

or contact VEPC at:

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